

Message Text

CONFIDENTIAL

PAGE 01 KINGST 00108 062122Z

ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

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FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC PRIORITY 3647

INFO AMEMBASSY BRIDGETOWN

AMEMBASSY GEORGETOWN

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AMEMBASSY PORT

C O N F I D E N T I A L KINGSTON 0108

E.O. 11652: N/A

TAGS: EFIN, EAID, JM

SUBJECT: PRIME MINISTER MANLEY ON JAMAICA'S ECONOMIC CRISIS

1. SUMMARY: PRIME MINISTER MANLEY LAST EVENING TOLD JAMAICANS THAT THE PRESENT ECONOMIC CRISIS WILL REQUIRE THEM TO ACCEPT HARSH AUSTERITIES. ANALYSING THE ORIGINS OF THE CRISIS, HE FOUND COLONIALISM AND CAPITALISM TO BE THE CHIEF CAUSES. HE SPOKE AGAINST CUTTING BACK ON "PEOPLE'S PROGRAMS" OF DEVALUATION. IN CLOSING, HE SAID THAT JAMAICA WILL NOT BE TOLD BY "ANYONE ANYWHERE" HOW TO RUN ITS AFFAIRS, AND ADDED THAT IT CAN COUNT ON ITS FRIENDS IN THE THIRD WORLD. IT WAS GOOD ANTI-IMPERIALIST DEMAGOGY BUT POOR THINKING. END SUMMARY.

2. PRIME MINISTER MICHAEL MANLEY CONTINUED THE PROCESS OF PREPARING JAMAICAS FOR ECONOMIC AUSTERITY WHEN HE SPOKE TO THE NATION ON THE EVENING OF JANUARY 6. THE SPEECH, WHICH FOLLOWED BY HOURS THE PRESS CONFERENCE HELD BY FINANCE MINISTER COORE AND INDUSTRY
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CONFIDENTIAL

PAGE 02 KINGST 00108 062122Z

AND COMMERCE MINISTER BLAKE (SEE KINGSTON 78). WAS A LENGTHY EFFORT TO EXPLAIN THE CAUSES OF JAMAICA'S PRESENT FOREIGN EXCHANGE AND BALANCE OF PAYMENTS TROUBLES WHILE AT THE SAME TIME ABSOLVING THE RULING PEOPLE'S NATIONAL PARTY (PNP) FROM ANY BLAME FOR THE COUNTRY'S PRESENTLY PARLOUS SITUATION.

3. MANLEY, PLAYING TO THE ORDINARY JAMAICAN, OPENED WITH A SKILLFULLY DESIGNED PARALLEL BETWEEN THE DIFFICULTIES HOUSEHOLDERS PRESENTLY FACE IN MEETING THEIR NEEDS AND THOSE OF A COUNTRY AS A WHOLE. HE THEN WENT ON TO EXPLAIN THE PARTICULAR CAUSES FOR JAMAICA'S GRAVE FOREIGN EXCHANGE PROBLEM. HE OFFERED NOTHING NEW, BUT RATHER RE-LEASED OLD THEMES:

-- THE PROBLEMS ARE LARGELY THE RESULT OF THE "IMPERIALIST BLOC".

-- GIVEN JAMAICA'S COLONIAL PAST, IT IS OVERLY DEPENDENT ON IMPORTS, AND PROLONGED WORLD INFLATION (MANLEY SAID "RECESSION") SINCE 1973 HAS SHARPLY ENHANCED THEIR PRICES.

-- FOR THE SAME REASON, JAMAICA IS AN EXPORTER OF PRIMARY PRODUCTS, AND THE RATIO BETWEEN IMPORTS AND EXPORTS IN THIS SETTING IS ALWAYS DISADVANTAGEOUS TO THE PRIMARY PRODUCTS EXPORTER.

-- FOREIGN INVESTMENT, WHILE FOR A TIME AMELIORATING BOP PROBLEMS, HAS ULTIMATELY RESULTED IN MORE MONEY BEING WITHDRAWN THAN ENTERED THE COUNTRY.

-- SIMILARLY, FOREIGN BORROWING HAS HELPED TEMPORARILY, BUT HIGH INTEREST RATES HAVE RESULTED IN THE END IN MORE MONEY LEAVING THEN ENTERED.
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PAGE 03 KINGST 00108 062122Z

-- THE PNP'S SOCIAL AND ECONOMIC PROGRAMS CAUSED MANY JAMAICANS TO "STEAL MONEY OUT OF JAMAICA", AND THE CONSERVATIVE ESTIMATE IS \$300 MILLION.

-- "FORCES IN THIS COUNTRY" INITIATED A CAMPAIGN OF VIOLENCE TO REVERSE THE PNP'S PROGRAMS, AND THIS CAUSED MANY BUSINESS ENTERPRISES TO CLOSE.

4. HAVING ANALYSED THE SITUATION, MANLEY THEN TOLD JAMAICANS THAT THEY MUST NOW PRODUCE MORE WHILE LEARNING TO LIVE WITH REDUCED IMPORTS -- "ALL OF THE LUXURY CATEGORY ARE OUT FOR NOW" -- AND INCREASED TAXES. THE LATTER IS INTENDED TO PRESERVE THE PNP'S WPA-TYPE PROGRAMS AND TO PERMIT SUBSIDY OF JAMAICA'S "BIG EXPORT INDUSTRIES" WHILE AVOIDING BUDGET DEFICITS. THESE ARE ALL IMPORTANT SINCE JAMAICA IS CONSTANTLY URGED TO CUT

ITS "PEOPLE'S PROGRAMMES"..."FOR EXAMPLE, THE INTERNATIONAL MONETARY FUND, WHICH IS THE CENTRAL LENDING AGENCY FOR THE INTERNATIONAL CAPITALIST SYSTEM, HAS A HISTORY OF LAYING DOWN CONDITIONS. ...THE CONDITIONS ALWAYS INCLUDE CUTTING PROGRAMMES WHICH SERVE THE PEOPLE AND THEIR NEEDS." MANLEY FLATFOOTEDLY IF AWKWARDLY STATED HIS GOVERNMENT'S POSITION: "THIS GOVERNMENT ON THE BEHALF OF OUR PEOPLE WILL NOT ACCEPT ANYBODY ANYWHERE IN THE WORLD TELLING US WHAT WE ARE TO DO IN OUR COUNTRY." HE ALSO SPOKE OUT AGAINST DEVALUATION OF THE JAMAICAN DOLLAR.

5. COMMENT: MANLEY'S PERFORMANCE WAS REGRETTABLY EXCELLENT DEMAGOGY, AND HIS SHAKING A RHETORICAL FIST AT THE IMF SURELY PLEASED HIS ALLIES ON THE LEFT. HOWEVER, HIS FAILURE TO DEAL MORE REALIS-
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 KINGST 00108 062122Z

TICALLY WITH THE BUDGETARY SHORTCOMINGS OF HIS LAST GOVERNMENT AND HIS REFUSAL TO TAKE INTO ACCOUNT THE IMPACT OF OPEC'S ROLE SUGGEST THAT HE REALLY ISN'T PREPARED TO DEAL IN HARD TRUTHS. MOREOVER, THE SPEECH WAS MARKED AT ITS END BY A BIT OF MICAWBERISM WHICH AUGURS ILL FOR THE APPLICATION OF INTELLECTUAL RIGOR AND POLITICAL WILL TO JAMAICA'S ECONOMIC PROBLEMS. AFTER ATTACKING THE IMF, MANLEY SAID, "JAMAICA DOES NOT STAND ALONE IN THE CRISIS WE FACE...WE CAN EXPECT SUPPORT IN OUR STRUGGLE FROM OUR BROTHER COUNTRIES IN THE THIRD WORLD WHO ARE CAUGHT IN THE SAME 'DEBT TRAP'."
GERARD

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